GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2129
ANSWERED ON:29.07.2016
Banking Frauds
Kashyap Shri Virender;Patole Shri Nanabhau Falgunrao;Vasava Shri Parbhubhai Nagarbhai

Will the Minister of FINANCE be pleased to state:

a) whether several incidents of banking frauds and other irregularities have been noticed by the Government in Public Sector Banks(PSBs);
b) if so, the details of such incidents/cases reported along with the amount involved therein during the last three years and the current year, bank and State/UT-wise;
c) whether the Government has conducted any inquiry in this regard, if so, the details thereof along with the number of bank officials involved and the action taken against them during the said period, bank and State/UT-wise; and
d) the remedial steps taken/being taken by the Government to check such incidents in future?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE

(a) & (b): Reserve Bank of India (RBI) has informed that Banks report fraud cases of Rs 1 Lakh and above to RBI. Details of the frauds reported by Public Sector Banks (PSBs) for the last three years and current year are given in Annex-1.

(c) & (d): Bank Fraud cases of Rs. 1 lakh and above reported by PSBs where staff is involved is given in Annex-2.

Banks initiate/probe staff accountability and staff involvement in all the fraud cases and on completion of investigation, commensurate punishment is awarded to the delinquent employees based on the seriousness of the wrongdoings as per Bank's disciplinary rules.

RBI has issued Master Direction on "Frauds − Classification and reporting" vide RBI. DBS.CFMC.BC.No.1 / 23.04.001/2016 -17 dated July 01, 2016 containing all the details/aspects relating to frauds. On receipt of fraud reports from banks, various aspects related to the frauds are examined and concerned banks are advised to report the case to CBI/ Police/ SFIO, examine staff accountability, complete proceedings against the erring staff expeditiously, take steps to recover the amount involved in the fraud, claim insurance wherever applicable and streamline the system as also procedures so that frauds do not recur. To compress the time taken in detection of fraud, a framework for handling loan frauds has been put in place. The framework stipulates continuous monitoring of loan accounts, time bound actions at each stage of loan's life cycle and commencement of investigations on observing early warning signal in an account. Further the framework has also prohibited banks from extending bank finance to borrowers who have defaulted and also committed a fraud for five years from the date of full payment of the defrauded amount.
*****